

OUTCOMES  
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# MODERN SLAVERY STATEMENT

June 2017

For professional investors only

[www.hermes-investment.com](http://www.hermes-investment.com)

  
**HERMES**  
INVESTMENT MANAGEMENT

## 1. HERMES INVESTMENT MANAGEMENT – MODERN SLAVERY STATEMENT

At Hermes, we are committed to running our business responsibly. We endeavour to uphold high ethical principles and to respect human rights. It also means doing our best to encourage high standards in our supply chain and business. In this context, we have used the requirements introduced by the Modern Slavery Act 2015 as an opportunity to review the way in which we operate our own business, together with the way in which we interact with others, including our clients, our suppliers, and we have also considered the area where we have the ability to make the most impact – our investments. Our objective is to ensure that there is no modern slavery or human trafficking in any of our business dealings.

## 2. ABOUT HERMES INVESTMENT MANAGEMENT

We are an asset manager with a difference. We believe that, while our primary purpose is helping beneficiaries retire better by providing world class active investment management and stewardship services, our role goes further. We believe we have a duty to deliver holistic returns – outcomes for our clients that go far beyond the financial and consider the impact our decisions have on society, the environment and the wider world.

Our goal is to help people invest better, retire better and create a better society for all.

**Hermes Investment Management is owned by the BT Pension Scheme. This Modern Slavery Statement is made by Hermes Fund Managers Limited on behalf of itself and its subsidiaries making up the Hermes Investment Management group, including Hermes GPE LLP.**

## 3. OUR BUSINESS & SUPPLY CHAIN

As a leading investment management house, we invest in a vast range of public and private market investments across the globe. Our portfolio managers and stewardship and engagement team, Hermes EOS, engage with the companies in which we invest on a regular basis to ensure that they are adhering or working towards best practice in terms of corporate governance and their management of environmental and social matters.

The Hermes group employs around 350 people, principally based in London. We outsource certain functions to service providers, and in some cases this involves employees of our service providers working onsite in our offices. Further, we purchase a variety of products, including stationery, IT hardware, and corporate branded merchandise (including clothing). Like many of our peers, our supply chain is large and complex, with multiple layers.

We have considered how our business operations may be affected by modern slavery issues. We appreciate that, due to the complexity of our supply chains, it may take a considerable length of time to investigate all tiers of each chain. We have therefore decided to focus in this first year on the areas in which we are able to make the most impact: our own staff and contractors working onsite; our material tier one suppliers; and we are starting to consider how our investments are impacted. Although the Modern Slavery Act does not, strictly speaking, require us to consider our investments for the purposes of this Statement, our position as an investor gives us an opportunity to exert influence over other businesses and it is a responsibility that we recognise and which is encouraged by the OECD.

## 4. WHAT HERMES IS ALREADY DOING

Hermes already has a number of policies and procedures in place in an effort to ensure we act as a transparent, responsible and ethical business. These policies and procedures also support our efforts to address the risks of engaging in modern slavery and human trafficking:

### Corporate and Employees

#### a Code of Ethics

Hermes' Code of Ethics ("COE") sets forth certain minimum expectations that Hermes has for all employees, partners, consultants or contractors ('employees'). Employees are expected to conduct the firm's business in full compliance with both the letter and the spirit of the law and any other policies and procedures that may be applicable to them.

#### b Hermes Pledge

At Hermes we have a strong culture of responsibility and believe that it is a far wider concept than just shareholder engagement. We believe we should lead by example, and we have therefore created the [Hermes Pledge](#), an expression of our commitment to always act responsibly and transparently.

The Hermes Pledge makes clear our commitments, obligations and responsibilities as an organisation and as individuals. As part of the Pledge, staff agree to act ethically, responsibly and with integrity; and to put the interests of our clients and their beneficiaries first.

#### c Hermes Behaviours

Hermes has articulated a set of behaviours innate to its culture that contribute to the success of the business. Every employee has a responsibility to act in a way that upholds Hermes' core behaviours through their day-to-day activities. End of year performance ratings are based on the extent to which employees have demonstrated these behaviours as well as the extent to which they have met their performance objectives.

#### d Whistleblowing Policy

Hermes has adopted a Whistleblowing Policy that sets out our internal procedures and guidance on this subject. At Hermes, we always encourage open communication and see the legislation as being in keeping with the spirit in which Hermes already operates. We always strive to meet our legal and regulatory responsibilities, conducting our business with the highest standards of integrity and honesty, and we expect all employees to maintain the same standards. We consider any failure to achieve these standards as a serious matter.

Under the terms of the Public Interest Disclosure Act 1998, employees may make a "Protected Disclosure" over certain malpractices without fear of reprisal from their employer but it is the intention of the Whistleblowing Policy to ensure that Hermes' employees are able to tell us about any wrongdoing at work which has occurred or which they perceive is likely to occur in the future.

#### e Equal Opportunity & Diversity

Hermes is committed to treating everyone with whom we work fairly, and with dignity and respect. This includes all our employees and staff (past, present and future) together with all of our other stakeholders, clients and service providers. Hermes expects all of its employees to match this commitment throughout their day-to-day work and activities.

As part of this, Hermes does not tolerate any form of discrimination. Everyone should be treated fairly and any promotion, transfer or selection for training will be based on an individual's skills, abilities, and the work they do. No-one should be treated unfairly or receive less than favourable treatment based on any individual characteristics which are not relevant to their work, and in particular those characteristics based on their gender, race, disability, age, marital status or civil partnership status, religion or belief, sexual orientation or gender re-assignment, or pregnancy or parental status.

Hermes recognises that diversity in our workforce is one of our greatest assets and that an inclusive culture allows us to continue to grow as a strong and innovative organisation, delivering excellence for our clients responsibly.

#### f Employee Assistance Programme

All employees and any live-in family members (including spouse, partner, parent, brother, sister and any other legal dependant under the age of 21 years in full time education) have access to a confidential, personal support line, which provides information and guidance on personal and practical matters. This confidential service is available 24 hours a day, 365 days a year.

## Investments

#### g Responsible Investment – Investing to improve retirement and help create a better society

We recognise that as fiduciaries, entrusted with the savings of millions of individuals, we have responsibilities which go beyond those defined in any contract – these are to our clients and their ultimate beneficiaries, and also to the financial community and broader society in which we operate. We have these responsibilities because our activities will have impacts on the world in which our beneficiaries live and work today as well as the one in which they will retire into tomorrow.

As an active investor, we are defined by our commitment to delivering holistic returns, which is why we have established the [Hermes Responsible Ownership Principles](#). With our past and future aims firmly based around a long-term and responsible approach, our structure provides the benefit of access to a broad range of dedicated, high conviction investment teams, combined with an established and robust operating platform. Hermes EOS enables institutional asset owners around the world to meet their fiduciary responsibilities and become active owners of public and private companies.

#### h Real Estate Contracts and Leases

In managing real estate assets, we believe that good human capital management, including the provision of fair living wages, robust health and safety practices and investment in training and development programmes, is the foundation of a stable and productive workforce and the maintenance of businesses' social licences to operate.

In 2016, we took the decision to include anti-slavery clauses in any new or renewed property management service agreements, as follows:

"The Contractor shall at its own cost and without entitlement to an extension of time comply (and procure compliance by its sub-contractors and suppliers) with the Employer's anti-slavery

statement as prepared by the Employer in accordance with the Employer's obligations under section 54 of the Modern Slavery Act 2015 and which is disclosed to the Contractor."

In addition, we have sought to include a clause specifically relating to Modern Slavery Act compliance in all lease agreements we have entered into since September 2016.

#### i Stewardship & Engagement

[Hermes EOS](#) is a world leader in stewardship services, helping clients to meet their legal obligations for active stewardship in order to create long-term value for beneficiaries. Hermes EOS represents £264.2/\$330.4 billion of assets under advice (AuA) and engages with more than 500 companies worldwide on an annual basis as well as voting shares at over 10,000 company meetings.

##### ■ Corporate engagement

Our highly effective group of skilled, multinational professionals advise leading businesses on sustainability, governance, environmental and social concerns. We have been actively engaging with companies for over 20 years building a compelling story for responsible ownership.

##### ■ Intelligent voting

Our team engages in active stewardship on behalf of our clients, voting at AGMs and other shareholder gatherings to achieve our clients' responsible ownership aims and fulfil their fiduciary duty to be active owners.

##### ■ Screening

Hermes EOS screens clients' aggregate holdings for environmental, social and governance (ESG) characteristics.

##### ■ Public policy

Hermes EOS works with legislators, regulators, industry bodies and other standard-setters to help shape capital markets worldwide to further our clients' responsible investment objectives. Hermes EOS strives to lead the debate on stewardship across the world, helping to ensure sustainable economies that work for long term social and environmental benefit.

##### ■ Advisory services

Hermes EOS provides expert consultancy to companies to help shape and develop their responsibility policies and align these to their investment's beneficiaries and stakeholders. This includes:

##### ■ Engagement and voting policies

■ Positioning on environmental, social and governance and other sustainability issues

■ Integration of ESG factors into investment manager agreements

■ Exclusion policies

## Procurement and Contractors

#### j London Living Wage

Since 2012, Hermes has been accredited as a Living Wage employer, affirming its commitment to provide all employees and on-site contracted staff with compensation and benefits above the London Living Wage. As an accredited employer, Hermes ensures that all employees are paid at a minimum the London Living Wage which is an hourly rate, set independently every year. As part of its accreditation as a London Living Wage employer, Hermes also

contractually requires its service providers who have staff working onsite in Hermes' London office to pay the London Living Wage or more.

#### k Procurement & Suppliers

At Hermes, we are committed to running our business responsibly. Part of this means doing our best to encourage high standards in our supply chain and business. Therefore, we are in the process of establishing a Supplier Code of Conduct, which we will encourage our suppliers to sign. Furthermore, we will add clauses to contracts with suppliers, where relevant and proportionate.

Hermes Supplier Code of Conduct – Hermes is committed to strict observance of all laws and regulations, and to the pursuit of honest and fair corporate activities that conform to the norms accepted by society. We aim to provide safe, reliable and efficient services whilst acting fairly and professionally. These values contained within our Modern Slavery Statement underpin our business and the way in which it operates. We consider that these values are wholly in line with our obligations under the Modern Slavery Act 2015 (the "Act"). We have compiled the Hermes Supplier Code of Conduct (the "Code") to achieve our goal of living up to this commitment. It lays down the standards of compliance that we expect and demand of those who supply us to ensure that we live up to our high standards. The term "Supplier" encompasses any kind of contractor, supplier or business partner.

#### We expect our Suppliers to:

- Comply with all applicable anti-slavery and human trafficking laws, statutes, regulations and codes from time to time in force including but not limited to the Act.
- Not engage in any activity, practice or conduct that would constitute an offence under sections 1, 2 or 4 of the Act if such activity, practice or conduct were carried out in the UK.
- Obtain assurances from their direct subcontractors and suppliers that they are complying with all applicable anti-slavery and human trafficking laws, statutes, regulations and codes from time to time in force including but not limited to the Act and inform Hermes promptly in the event that they find any non-compliance within their supply chain.
- Specific examples of actions that our Suppliers must take in order to comply with all relevant legislation include but are not limited to:
  - Not using slave labour, illegal child labour, forced, bonded or compulsory labour
  - Ensuring that terms of employment are voluntary
  - Ensuring that the workplace is free from discrimination or physical or verbal harassment
  - Following local laws in respect of health and safety, minimum age requirements, wages, overtime, working hours and the fair treatment of workers.
  - Hermes encourages its Suppliers to comply with this Code. The signing of this Code is a commitment from the Supplier to Hermes that they will supply goods and/or services in accordance with this Code.

We agree to comply with Hermes' Code.

Signed:

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Signed on behalf of

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Dated:

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## 5. TRAINING

A copy of this Modern Slavery Statement will be provided to all members of staff, and will be included in all new staff joiner packs.

All staff who have the ability to procure services will receive training on the Hermes Supplier Code of Conduct.

Hermes' CEO has encouraged staff to watch this film, produced by BT plc: <https://www.youtube.com/watch?v=1RBblPD60Wg>

## 6. IDENTIFICATION AND MEASUREMENT OF OUR SUCCESS

By encouraging our staff to speak up if they have concerns about working conditions, and by asking our suppliers to agree to the Code, we hope to be equipped to identify issues of modern slavery and human trafficking, if they occur. In line with Hermes' investment philosophy, if we do identify issues, we will not automatically withdraw from the relationship or investment. We will seek to engage with relevant stakeholders, with the aim of resolving the issue.

This Modern Slavery Statement was approved by the board of directors of Hermes Fund Managers Limited on 30 June 2017.